

Registration number: 00385816

BRITISH ALCAN ALUMINIUM LIMITED
(PREVIOUSLY BRITISH ALCAN ALUMINIUM PLC)

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



BRITISH ALCAN ALUMINIUM LIMITED

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BRITISH ALCAN ALUMINIUM LIMITED

COMPANY INFORMATION

DIRECTORS	A W Hodges D Lhuissier
COMPANY SECRETARY	Rio Tinto Secretariat Limited
REGISTRATION NUMBER	00385816
REGISTERED OFFICE	6 St James's Square London United Kingdom SW1Y 4AD
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Embankment Place London United Kingdom WC2N 6RH

BRITISH ALCAN ALUMINIUM LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their Strategic report on British Alcan Aluminium Limited (the "Company") for the year ended 31 December 2018.

Introduction

The Company was incorporated, domiciled and registered in England and Wales under the Companies Act 2006 and is a private company limited by shares. The Company's ultimate parent undertaking and controlling party is Rio Tinto plc, which together with Rio Tinto Limited and their respective subsidiaries form the Rio Tinto Group (the "Group").

The Company is an intermediate investment holding company for the Group. It manages a number of legacy liabilities arising from the UK aluminium business formerly operated by the Group.

Business review

During 2018 the Company continued managing environmental rehabilitation and asset retirement obligations arising from the UK aluminium business formally operated by the Group. Other income of \$3.4 million was recognised in 2018 relating to costs where a contractual obligation has been relieved and an impairment charge of \$3.6 million was recorded during 2018, which related to aged intercompany receivables which were determined not to be collectable.

Principal risks and uncertainties

The Company's principal risks and uncertainties, such as financial, operational and compliance risks, are integrated with those of the Group and are not managed separately.

Assessment of the potential economic and non-economic consequences of risks is undertaken by the Group's business units and functions using the framework defined by the Group's Risk policy and standard. Once identified, each principal risk and uncertainty is reviewed and monitored by the relevant internal experts and by the Risk Management Committee, the relevant board committees and the board. Full details of the Group's risk factors and policies for financial risk management are discussed in its 2018 Annual Report which does not form part of this report.

Key performance indicators

The Company's directors are of the opinion that there are no meaningful financial or non-financial key performance indicators that would be necessary or appropriate for an understanding of the development, performance or position of the Company's activities.

The report was approved by the board and signed on its behalf by:



A W Hodges
Director

Date: 30 SEPTEMBER 2019

BRITISH ALCAN ALUMINIUM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Results and dividends

The loss for the financial year, after taxation, amounted to £0.5 million (2017: profit £23.3 million).

No interim dividend was paid during the year (2017: £150 million). The directors do not recommend the payment of a final dividend (2017: £nil).

Directors

The directors who served during the year and to the date of this report were:

A W Hodges (appointed 30 November 2018)

D Lhuissier

P Beaulieu (resigned 30 June 2018)

M J Betts (resigned 30 November 2018)

The directors had no material interest in any contract or arrangement during the year to which the Company or any subsidiary is, or was, a party.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the Financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the audited financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Indemnities and insurance

In accordance with section 233 of the Companies Act 2006 the Company has purchased and maintains insurance against liabilities arising from claims against directors' and officers' actions taken in connection with the Group's business.

BRITISH ALCAN ALUMINIUM LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

Principal activities

The Company's principal activity during the year was to be an intermediate investment holding company for the Group.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Future developments

The Company's future developments are integrated with those of the Group which are discussed in the Group's 2018 Annual Report, which does not form part of this report.

Financial risk management

Please refer to the Strategic report, principal risks and uncertainties section.

Disclosure of information to auditors

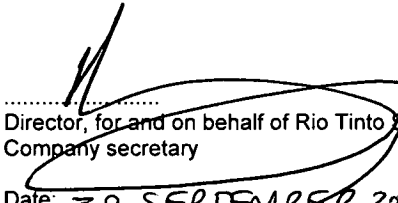
Each of the persons who were directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed by order of the board.


.....
Director, for and on behalf of Rio Tinto Secretariat Limited
Company secretary

ANDY HODGES

Date: 30 SEPTEMBER 2019

6 St James's Square
London
United Kingdom
SW1Y 4AD

BRITISH ALCAN ALUMINIUM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH ALCAN ALUMINIUM LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, British Alcan Aluminium Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2018; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all the potential implications on the Company's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

BRITISH ALCAN ALUMINIUM LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH ALCAN ALUMINIUM LIMITED (CONTINUED)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on page 3, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

BRITISH ALCAN ALUMINIUM LIMITED

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF BRITISH ALCAN ALUMINIUM LIMITED (CONTINUED)**

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

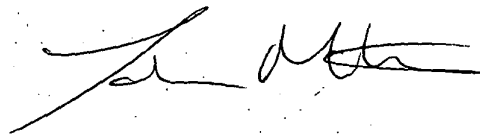
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



.....
Jonathan Matthews (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date: 30/09/2019

BRITISH ALCAN ALUMINIUM LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £ 000	2017 £ 000
Investment income	3	-	17,659
Other income	4	3,388	-
Depreciation expense		-	(214)
Other expenses		(753)	(677)
Impairment charges	5	(3,581)	-
Gain on disposal of investments		-	5,331
Gain on disposal of property, plant and equipment		-	72
Net exchange gains		77	-
Finance income	7	845	1,723
Finance costs	8	(486)	(608)
(Loss)/profit before taxation		(510)	23,286
Taxation	9	-	-
(Loss)/profit for the financial year		(510)	23,286
Other comprehensive income		-	-
Total comprehensive (expense)/income for the year		(510)	23,286

BRITISH ALCAN ALUMINIUM LIMITED

**(REGISTRATION NUMBER: 00385816)
BALANCE SHEET AS AT 31 DECEMBER 2018**

	Note	2018 £ 000	2017 £ 000
ASSETS			
Non-current assets			
Investments in subsidiaries	11	32,147	32,147
		<u>32,147</u>	<u>32,147</u>
Current assets			
Cash and cash equivalents	13	-	514
Trade and other receivables	14	168,138	174,606
		<u>168,138</u>	<u>175,120</u>
Total assets		<u>200,285</u>	<u>207,267</u>
LIABILITIES			
Current liabilities			
Trade and other payables	15	(37,803)	(44,854)
Provisions	16	(2,111)	-
		<u>(39,914)</u>	<u>(44,854)</u>
Non-current liabilities			
Provisions	16	(17,620)	(19,152)
Total liabilities		<u>(57,534)</u>	<u>(64,006)</u>
Net assets		<u>142,751</u>	<u>143,261</u>
EQUITY			
Share capital	18	45,763	45,763
Share premium account	19	11,788	11,788
Retained earnings		85,200	85,710
Total equity		<u>142,751</u>	<u>143,261</u>

These financial statements were approved and authorised by the board and were signed on its behalf by:

.....
A W Hodges
Director

Date: 30 SEPTEMBER 2019

BRITISH ALCAN ALUMINIUM LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	Share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2018		45,763	11,788	85,710	143,261
Comprehensive expense:					
Loss for the financial year		-	-	(510)	(510)
Other comprehensive income		-	-	-	-
Total comprehensive expense for the year		-	-	(510)	(510)
Transactions with owners:					
Dividends	17	-	-	-	-
At 31 December 2018		45,763	11,788	85,200	142,751

	Note	Share capital £ 000	Share premium account £ 000	Retained earnings £ 000	Total equity £ 000
At 1 January 2017		45,763	11,788	212,424	269,975
Comprehensive income:					
Profit for the financial year		-	-	23,286	23,286
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	-	23,286	23,286
Transactions with owners:					
Dividends	17	-	-	(150,000)	(150,000)
At 31 December 2017		45,763	11,788	85,710	143,261

The notes on pages 11 to 22 form an integral part of these financial statements.

BRITISH ALCAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1 Accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation of financial statements

The financial statements have been prepared using the historical cost convention, and in accordance with the Companies Act 2006, as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The Company is a subsidiary company and is exempt from the requirement to prepare consolidated financial statements by virtue of section 400 of the Companies Act 2006. These financial statements are therefore separate financial statements.

The financial statements are presented in Pound Sterling (£) and all amounts are rounded to the nearest thousand ('000) unless otherwise stated.

1.2 Financial Reporting Standard 101 - Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91 - 99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 - 136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly-owned by such a member; and
- the requirements of paragraph 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the consolidated financial statements which can be obtained as set out in note 22.

BRITISH ALCAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1.3 Changes in accounting policy

The Company has applied the following interpretations, standards and amendments for the first time in their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration; and
- A number of minor amendments to existing standards.

The adoption of IFRS 9 Financial Instruments resulted in changes to accounting policies but did not have a material impact on the financial statements. The standard replaced the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities; de-recognition of financial instruments; impairment of financial assets; and hedge accounting. The new accounting policies for financial assets and financial liabilities are detailed in notes 1.13 and 1.14 below.

IFRS 15, IFRIC 22 Foreign Currency Transactions and Advance Consideration and other minor changes applicable for 2018 did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect future periods.

1.4 Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company therefore continues to adopt the going concern basis in preparing its financial statements.

1.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). These financial statements are presented in Pound Sterling (£), which is the Company's functional and presentation currency.

(b) Transactions and balances

Transactions denominated in other currencies are converted to the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are translated using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

1.6 Dividend income

Dividend income is recognised when the right to receive payment is established.

1.7 Finance income

Finance income includes interest income. Interest income is recognised on a time proportionate basis using the effective interest method.

BRITISH ALCAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1.8 Finance costs

Finance costs includes interest expense and similar charges. Interest expense is recognised on a time proportionate basis using the effective interest method.

1.9 Taxation

Current tax, including UK corporation tax and overseas tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Except as otherwise required by IAS 12 ("Income Taxes"), deferred tax is provided in full on temporary differences at the balance sheet date.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply in the periods when the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date. Deferred tax assets have been recognised to the extent that their recovery is probable, having regard to the availability of sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, the projected future taxable income of the entity and after taking account of specific risk factors that are expected to affect the recovery of these assets.

1.10 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.11 Property, plant and equipment

Property plant and equipment under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. Land is not depreciated. The estimated useful life ranges are as follows:

Asset class	Useful life and rate
Plant and machinery	5-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

1.12 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

BRITISH ALCAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1.13 Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories:

- financial assets held at amortised cost
- financial assets held at fair value through other comprehensive income ("FVOCI")
- financial assets held at fair value through profit or loss ("FVPL")

Classification depends on the business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of financial assets at initial recognition. Generally, the Company does not acquire financial assets for the purpose of selling in the short term. The Company's business model is primarily that of "Hold to collect" (where assets are held in order to collect contractual cash flows). When the Company enters into derivative contracts, these transactions are designed to reduce exposures relating to assets and liabilities, firm commitments or anticipated transactions.

Financial assets held at amortised cost

This classification applies to debt instruments which are held under a hold to collect business model and which have cash flows that meet the Solely payments of principal and interest ("SPPI") criteria.

At initial recognition, trade receivables that do not have a significant financing component, are recognised at their transaction price. Other financial assets are initially recognised at fair value plus related transaction costs; they are subsequently measured at amortised cost using the effective interest method. Any gain or loss on de-recognition or modification of a financial asset held at amortised cost is recognised in profit or loss.

Impairment

A forward looking expected credit loss ("ECL") review is required for; debt instruments measured at amortised cost or held at fair value through profit or loss; lease receivables and trade receivables that give rise to an unconditional right to consideration.

As permitted by IFRS 9, the Company applies the 'simplified approach' to trade receivable balances and the 'general approach' to all other financial assets. The general approach incorporates a review for any significant increase in counterparty credit risk since inception. The ECL reviews include assumptions about the risk of default and expected loss rates. For trade receivables, the assessment takes into account the use of credit enhancements, for example, letters of credit. Impairments for undrawn loan commitments are reflected as a provision.

1.14 Financial liabilities

Borrowings and other financial liabilities (including trade payables but excluding derivative liabilities) are recognised initially at fair value, net of transaction costs incurred, and are subsequently measured at amortised cost.

BRITISH ALCAN ALUMINIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

1.15 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2 Critical accounting estimates and judgements

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies. These judgements and assumptions are based on management's best knowledge of the facts and circumstances, but actual results may differ materially from the amounts included in the financial statements. The estimates and assumptions that could have a significant impact on the results of the Company are set out below.

Provisions

Provision is made when an obligation occurs, based on the net present value of the estimated future costs. Cost estimates can vary in response to many factors including new legal or operational requirements, change of circumstances and the emergence of new information. Cash flows must be discounted where this has a significant effect and so provision amounts are also sensitive to changes in the discount rate used.

Impairment of financial assets

The Company makes an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the aging profile of receivables and historical experience.

3 Investment income

	2018 £ 000	2017 £ 000
Dividend income	-	17,659

All dividend income arose within the United Kingdom.

BRITISH ALCAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

4 Other income

	2018 £ 000	2017 £ 000
Other income	3,388	-

Other income in 2018 mainly relates to a credit recognised due to Alcan Aluminium UK Limited sale costs which have been subsequently determined not to be charged to the Company.

5 Profit before taxation

- (a) No emoluments were paid or payable to directors during the year in respect of their services to the Company (2017: £nil).
- (b) The average monthly number of persons employed during the year, excluding directors, was nil (2017: nil).
- (c) Employees who are involved in the management and operation of the Company have contracts of service with other Group entities and, therefore, their remuneration is included within those entities' financial statements.
- (d) Operating lease payment of £28,000 was made during the year (2017: £312,000), net of sublease receipt of £616,000 was made during the year (2017: £334,000).
- (e) Impairment charges of £2,312,000 relates to old intercompany invoices which have been determined uncollectable and a further £1,268,000 relates to third-party receivables.

6 Auditors' remuneration

Auditors' remuneration of £27,225 (2017: £27,500) has been charged in the year, including the costs of audit of certain other Group companies borne by the Company.

7 Finance income

	2018 £ 000	2017 £ 000
Interest receivable from group undertakings	844	317
Interest receivable from third parties	1	1,406
	<u>845</u>	<u>1,723</u>

8 Finance costs

	2018 £ 000	2017 £ 000
Unwinding of discount on provisions	<u>486</u>	<u>608</u>

BRITISH ALCAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

9 Taxation

	2018 £ 000	2017 £ 000
Tax expense/(benefit) in the statement of comprehensive income	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2017: lower than) the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2018 (2017: 19.25%).

The differences are reconciled below:

	2018 £ 000	2017 £ 000
(Loss)/profit before tax	(510)	23,286
(Loss)/profit before income tax multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(97)	4,482
Effects of:		
Depreciation in excess of capital allowances	(8)	32
Expenses not deductible for tax purposes, other than impairment	793	-
Non-taxable income	(296)	(3,399)
Group relief received/(surrendered) for nil value	(325)	(25)
Changes in provisions leading to a decrease in the tax charge	(67)	(50)
Accounting profit on chargeable assets	-	(1,040)
Total tax charge/(benefit) for the year	-	-

Factors that may affect future tax charges

Legislation to reduce the main rate of UK corporation tax from 19% to 17%, from 1 April 2020 was enacted on 15 September 2016. Any deferred tax balances have been calculated at the reduced rate.

BRITISH ALCAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

10 Property, plant and equipment

	Plant and machinery £ 000
Cost	
At 1 January 2018	730
Disposals	(313)
At 31 December 2018	<u>417</u>
Accumulated depreciation	
At 1 January 2018	730
Disposal	(313)
At 31 December 2018	<u>417</u>
Carrying amount	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

11 Investments in subsidiaries

	£ 000
Cost	
At 1 January 2018	227,408
Disposals	-
At 31 December 2018	<u>227,408</u>
Accumulated impairment	
At 1 January 2018	195,261
At 31 December 2018	<u>195,261</u>
Net book value	
At 31 December 2018	<u>32,147</u>
At 31 December 2017	<u>32,147</u>

BRITISH ALCAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

12 Deferred tax assets

As at 31 December 2018, there was an unrecognised deferred tax asset of £494,000 (2017: £494,000) relating to trading losses carried forward. There is also an unrecognised deferred tax asset at 31 December 2018 in relation to remediation provisions of £16,513,000 (2017: £16,193,000). These have not been recognised due the uncertainty of recovery.

13 Cash and cash equivalents

	2018 £ 000	2017 £ 000
Cash at bank and in hand	-	514

14 Trade and other receivables

	2018 £ 000	2017 £ 000
Current		
Amounts owed by group undertakings	164,242	169,779
Prepayments and accrued interest	57	500
Trade receivables	-	333
Other receivables	3,839	3,994
	<u>168,138</u>	<u>174,606</u>

Included within amounts owed by group undertakings is £163,946,000 (2017: £166,782,000) of interest bearing balances. Interest is earned on these balances based on GBP LIBOR less a margin and are repayable on demand. The residual balance is trading in nature and attracts no interest. Other debtors includes £3,479,000 (2017: £3,479,000) deferred proceeds from the sale of investments.

15 Trade and other payables

	2018 £ 000	2017 £ 000
Current		
Trade payables	31	52
Amounts due to group undertakings	37,772	38,031
Other payables	-	6,771
	<u>37,803</u>	<u>44,854</u>

Amounts owed to group undertakings are repayable on demand and bear no interest.

BRITISH ALCAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

16 Provisions

	Onerous lease £ 000	Employee benefits £ 000	Rehabilitation provision £ 000	Asset retirement obligations £ 000	Total £ 000
At 1 January 2018	394	2,673	15,232	853	19,152
Increase in existing provisions	93	191	1,050	(91)	1,243
Utilised during the year	(32)	(216)	(895)	(7)	(1,150)
Unwinding of discount	-	53	412	21	486
At 31 December 2018	<u>455</u>	<u>2,701</u>	<u>15,799</u>	<u>776</u>	<u>19,731</u>
				2018 £ 000	2017 £ 000
Non-current				17,620	19,152
Current				2,111	-
Total				<u>19,731</u>	<u>19,152</u>

The employee benefits provision relates to a past retirement health scheme and a supplementary retirement benefit scheme for former employees.

The onerous lease provision relates to a former head office property retained when a business was sold.

Asset retirement obligations relate to amounts payable for closure related costs at sites no longer operating.

Rehabilitation provision includes amounts for environmental restoration costs and other legacy issues.

17 Dividends

	2018 £ 000	2017 £ 000
Interim dividend of £nil (2017: £3.2777) per ordinary share	<u>-</u>	<u>150,000</u>

BRITISH ALCAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

18 Share capital**Allotted, called up and fully paid shares**

	2018		2017	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1.00 each	<u>45,763</u>	<u>45,763</u>	<u>45,763</u>	<u>45,763</u>

19 Reserves**Share premium account**

Share premium account represents the value in excess of nominal value received by the Company in consideration for issuing its shares.

20 Operating lease commitments

The Company holds a lease over a former head office property retained when a business was sold, the property was under sublease during the year.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
	£ 000	£ 000
No later than 1 year	645	645
Later than 1 year and no later than 5 years	2,311	2,580
Later than 5 years	-	376
Total	<u>2,956</u>	<u>3,601</u>

Operating lease commitments on properties have been shown before deduction of any receipts from subleases.

21 Related party transactions

The Company has taken advantage of the exemption contained within paragraph 8(k) of FRS 101 and has not disclosed transactions entered into with wholly-owned group entities.

22 Parent and ultimate parent undertaking

The immediate parent undertaking is Rio Tinto International Holdings Limited. The ultimate parent undertaking and controlling party is Rio Tinto plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the Rio Tinto plc consolidated financial statements can be obtained from the registered office at 6 St James's Square, London, SW1Y 4AD or from the Rio Tinto website at www.riotinto.com.

BRITISH ALCAN ALUMINIUM LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018 (CONTINUED)**

23 Related undertakings

In accordance with section 409 of the Companies Act 2006, disclosed below is a full list of related undertakings of the Company. Related undertakings include "subsidiaries", "associated undertakings", and "significant holdings in undertakings other than subsidiary companies". The registered office address, country of incorporation, classes of shares and the effective percentage of equity owned by the Company calculated by reference to voting rights, is disclosed as at 31 December 2018.

23.1 Direct holdings

Name of holding	Country of incorporation	Registered address	Share class	% of share class held
Alcan Chemicals Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%
Alcan Farms Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%
TBAC Limited	United Kingdom	6 St James's Square, London, SW1Y 4AD, United Kingdom	£1.00 Ordinary shares	100%

24 Post balance sheet events

There have been no significant events affecting the Company since the year end.